School Funding in Del Norte

Presentation to the Del Norte/Upper Rio Grande School Board
June 23, 2020

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Colorado School Finance Project
TODAY’S TOPICS

Who is CSFP? What do we do?

School Finance in Del Norte

School Finance’s Collision with COVID-19: TABOR, Gallagher, Budget Stabilization Factor

Potential Options:
1) Vaping/Nicotine Tax
2) Gallagher
3) Fair Tax Colorado
4) Energize Our Economy
Colorado School Finance Project (CSFP)

Who are we?

• Non-profit, non-partisan
• Supported by school district contributions
• School finance analysis for local and state policy makers since 1995
• Governed by a board – national and state experts on school finance
Our Mission: To compile, collect and distribute research-based, non-partisan information and data on topics related to school finance for state and local policymakers.
How we do it

• Monthly advisory zoom meetings 130+ attendees – governor’s office – JBC and CDE presenters as examples

• Email updates

• Website: https://cosfp.org/

• Twitter: @cosfp
Welcome

Founded in 1995, the Colorado School Finance Project (CSFP) is a non-profit whose mission is to compile, collect topics related to school finance for state and local policymakers.

**June 2020 Forecast** – presentations to JBC:

- Colorado Legislative Council staff
  - Economic & Revenue Forecast
  - Presentation to the Joint Budget Committee
  - Consumer Price Index
- Office of State Planning and Budget
  - State of Colorado: Economic and Fiscal Outlook
  - Presentation to the Joint Budget Committee
  - Supplemental Materials to OSPB Forecast

- Colorado lawmakers made billions in cuts to finish the budget. Now Gov. Polis may need to make even more.

School Districts’ Mill Levies at time of “de-brucing”

2008-2021 Budget Stabilization Factor Graph defined by HB20-1418

**UPDATED:** Education Week Per Pupil Spending Comparison – This chart compares state per-pupil spending.
About Del Norte/Upper Rio Grande

- 445 students - 262 at-risk
- Per Pupil Revenue: $9050.41
- Total Program mills: 16.30
- Override mills: 9
- ‘De-bruced’ in 1996-97
  - Mills at time of ‘de-brucing’: 39.036
- 1 mill raises $60,668 or $54 per student
What we know

• The state cut $3.2 Billion
• B/S Factor - $1.7 Billion
• The local share will be impacted
• Federal one-time money
• Measures referred to ballot
About Del Norte/Upper Rio Grande: Budget Stabilization Factor

- From 09-10 – 20-21 school year, district has lost ($5,988,423)
- For 2020-21: ($658,331)
General Fund Budget

FY 2019-20: $12.2 Billion*

Fund Source

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>Spending by Department</th>
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<tbody>
<tr>
<td>General Fund</td>
<td></td>
</tr>
<tr>
<td>Cash Funds</td>
<td>Corrections 7.3%</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>K-12 36.1%</td>
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<tr>
<td>Reappropriated</td>
<td>Health Care 25.8%</td>
</tr>
<tr>
<td></td>
<td>Higher Education 9.1%</td>
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<td></td>
<td>Human Services 8.6%</td>
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Data source: Joint Budget Committee Staff, Budget in Brief. *Subject to change with 2020 legislation.
Revenue inside the School Finance Act

Local Share – District Total Program = State Share

56.9% Local Share
Del Norte

43.1% State Share
Del Norte

LOCAL SHARE
Local District Taxes:
Property Taxes
Ownership Tax

STATE SHARE
State Taxes:
General Fund
Education Fund

Local Share
• Property tax
• Starting point for determining state share of District Total Program
• Remains in the district

State Share
• State “backfills” to reach District Total Program.
2008-2021 Budget Stabilization Factor: Reflects passage of HB20-14

Funding meets Amendment 23 requirement 2008-09

Per pupil base funding before added $s: $5,250.41
Per pupil base funding after added $s: $5,270.13

$611,000,000 Increase

June 23, 2020
What makes the COVID-19 downturn different

$\text{s cut}

More than $3 billion dollars from state’s General Fund

Timing

Immediate – reductions in current year and forecast period

Multiple years of impact

Loss of local share – permanently gone unless constitution changed
Loss of local revenue due to dropping of oil and gas valuation creating a reduction in funding

Next year RAR goes from 7.15 down to 5.88 mills — approximate loss of $500M for K-12 in local share — *Gallagher Repeal will eliminate the reduction*

State backfill becomes more challenging and has resulted in growing the B/S Factor
Budget Stabilization Factor now $1.17B- 14.3% cut to K-12 – concerns that this will continue to increase.

Impact for your district: $658,330

*Fair Tax Colorado – offsets additional reductions*
Other Things to Consider

Continuous budgeting with a conservative approach

- **Quarterly** forecasts
  (June, September, December, March)

Don’t use one-time CARES money to address on-going costs

Prepare multiple budget scenarios to address:

- Reductions in state share funding (best/worst case)
- Traditional school
- Hybrid model for schools
- Remote learning in place
Short-term efforts DURING legislative session:

- Tax exemptions- less than $50 million for K-12
- Gallagher legislation to prevent cuts (does not increase funding)
- Vaping/Nicotine sales tax- rural money for 3 years $25, $30, and $35 million
Efforts that would impact school funding - POTENTIAL BALLOT ISSUES

Potential ballot initiative that would impact school funding:

- Initiative 271- **Fair Tax Colorado** (cuts taxes and adds up to $2 billion annually, half for K-12)
- Initiative 306- **Energize our Economy** (annual loss of revenue approx. $160 million)
INITIATIVE #271 WILL:
Repeal the constitutional requirement that all taxable net income be taxed at one rate.
Create a tiered tax structure helping to equalize across all taxpayers the portion of their income they pay in state and local taxes.
Establish a 25-member Fair Tax Commission

96% of Colorado Taxpayers have taxable income less than $250k

2.5% of Colorado Taxpayers have taxable income between $250k and $500k

0.75% of Colorado Taxpayers have taxable income between $500k and $1m

0.36% of Colorado Taxpayers have taxable income over $1m

All taxpayers pay a lower rate of 4.58% on first $250k of taxable income
Subsequent $250k will be taxed at 7.00%
Next $250k in taxable income is taxed at 7.75%
Taxable income above $1m is taxed at 8.90%
QUESTIONS: NOW OR LATER

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